



Quarterly Financial Report 2018 – Second Quarter (January to June 2018)

Executive Summary

During the first half of 2018, most revenue sources were received at, or above, what was expected, after taking seasonal variations into consideration. While the majority of expense categories were within budget, there has been an increase in the number of departments expected to end the year over budget by material dollar amounts. At this time last year, there were three departments/major categories expected to be over budget and two more on the watch list. During 2018, there are 13 departments/major categories on the watch list, of which 7 are (clearly) expected to go over budget by the end of the year, with little or no unanticipated revenue available within those departments to cover the overspending.

The seven departments/major categories expected to go over budget are:

- Three Sheriff's Office Departments (Investigations, Patrol and Detention) are currently over budget and at the current rates of spending, the following categories will be over budget by the following amounts at year end:
 - \$122,700 Overtime
 - \$12,500 On-Call Pay
 - \$15,100 Travel (and Training)
 - \$245,500 Inmate Housing (in La Plata County)
 -
 - \$395,800 Total (for those departments)

- Four other Departments, are also expected to go over, as follows:
 - Human Resources \$17,000 over, due to over spending of advertising, office supply and office equipment budgets.
 - County Coroner: \$26,000 over, due to over spending in medical services. And an "unknown" additional amount to provide training to a new Coroner.
 - Road & Bridge Administration: \$33,000 due to a higher than expected liability insurance payment.
 - Solid Waste Recycling: \$500 over, due to a trivial unbudgeted expense.

There were some positive developments, including:

- The annual PILT (Payment in Lieu of Taxes) funding has been received and came in \$474,204 over budget. Note that the Feds extended a "supplemental" increase to this funding which began with the Emergency Economic Stabilization Act. These supplemental amounts have been uncertain from year to year and therefore are not included in the County's budget process.
- Sales Tax Revenue is currently exceeding the growth projected for it (by about 6.2%), and may exceed budget by year end by approximately \$300,000 (split 50/50 between the General Fund and Road & Bridge fund).
- Interest Income, is expected to exceed budget by \$200,000 to \$300,000 dollars.

The following funds will be reported in detail within this report: General; Road & Bridge; Dispatch; Solid Waste and Fleet.

General Fund:

Revenue Detail

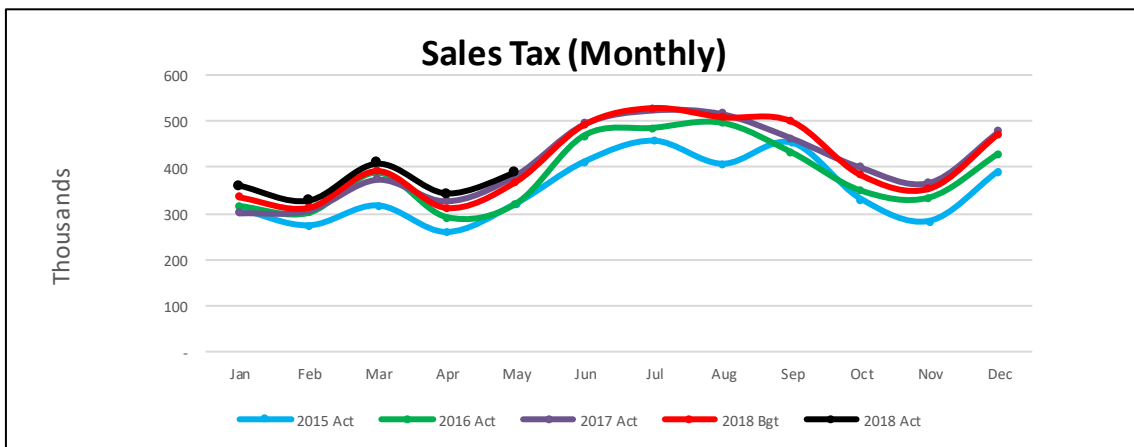
During the first half of 2018, 66.29% of the 2018 General revenue had been received. Most of the “apparent” excess revenue is the result of expected “net” seasonal variations, though some revenues will finish the year higher than budget. Compared to the first half of 2017, revenue in the first half of 2018 was up \$118,680 (1.64%).

Revenue in Excess of Budget:

A few sources of revenue are coming in over the amounts budgeted. The largest of these is PILT funding (Payments in Lieu of Taxes) which are received in two payments during the first half of the year and which came in \$474,204 (61.6%) over budget. The increase was due to the Feds deciding, once again, to continue “full” funding for this program. In recent years this program has required specific appropriations by the Federal government, and full funding has been uncertain. As a result, the County budgets only the amounts that it deems certain to be received.

Other forms of revenue coming in over budget are:

- **Interest Income** is \$93,882 (87.2%) higher than during the same period in 2017 and stands at 202% of the 2018 total amount budgeted. The County Treasurer has estimated that actual 2018 interest income is likely be around \$300,000 higher than budgeted by year end.
- **Sales Tax Revenue** is collected in arrears. During the first half of 2018, only five months of Sales Tax revenue were actually received (and shows on the statement). During that time period, Sales Tax revenue in the General Fund was \$106,181 (6.2%) over the seasonally adjusted 2018 budget. This revenue is expected to finish the year strong.



Seasonal Revenue:

Certain revenue streams are received during limited time frames within each year; that is, they are “seasonal” in nature. This complicates the analysis of whether they are being received in adequate amounts. The following revenues have received the majority of their annual budgeted amounts as of June 31, 2018, but are not considered to be coming in over budget.

- **Property Tax:** During the first half of 2018, about 92% of the budgeted property tax was received. During the same period in 2017, 92% of budgeted property tax was also received. While property owners may pay their property tax in a single installment (due on or before April 30), most exercise the option of paying in two installments, the first being due by Feb. 28th and the second by June 15th.

- **Treasury Fees:** During the first half of 2018, about 72% of treasury fees were collected. During the same period in 2017, 74% of the budgeted fees were collected. These fees are assessed against a wide range of revenues, including Property Tax and Sales Tax. We do not expect Treasury Fees to be under budget by year end.

Expense Detail:

During the first half of 2018, 45% of the General Fund expense budget was utilized. About 26% (9 out of 35) individual departments were over budget during the first half of the year, on a year-to-date basis.

One department incurred a disproportionate amount of expense during the first half of the year, but is expected to be within the annual budget at year end, as follows:

- **County Clerk - Elections 51% expended:** An annual service agreement was paid during the first half of the year. Most of the remaining expenses are under budget at this point in time. While it is difficult to project the cost of the election falling into the 4th quarter of the year, the county expects annual spending will be within the approved budget

Three departments are expected to over spend their budgets by year end, but that overspending is expected to be covered by unanticipated revenue, as follows:

- **County Treasurer 56% expended:** The Treasurer Fee expense account is disproportionately expended (as expected) during the first half of the year. They are not expected to be over budget at year end. Bank charges are expected to be over budget by a significant sum, causing this department to over spend its total budget. However, interest earned on investments are projected to exceed the expected amounts by a couple hundred thousand dollars, at least. This unanticipated revenue to cover overspending within the budget quite easily.
- **Jail Bonding/Commissary is 80% expended:** Bonds are irregular and unpredictable in amount. The revenue generally washes with the expense for no or little effect on the bottom line.
- **Sheriff – Court Security 56% expended:** Wages and benefit costs exceeded the budgeted amounts by about 8% during the first half of the year. However, grant revenue will exceed budget and is expected to compensate.

Five department budgets are on the County's "watch list", as they are projected to over spend their budgets by year end, and little (or no) unanticipated revenue has been identified to cover that over spending:

- **Sheriff – Patrol is 51% expended:** Overtime spending during the first half of the year was almost twice the amount budgeted for the entire year, being \$29,476 in charges against an annual budget of \$15,000. In addition, the annual training budget was fully spent as of June 2018 and travel expenses exceed the amount budgeted for the entire year. Several budget items are currently under budget, but the department may still end the year \$15,000 to \$20,000 over budget.
- **Sheriff – Investigations is 62% expended:** At mid-year, wages were 68% consumed and are projected to be \$55,000+ over budget by year end. Overtime expenses were 136% of the annual budget and are projected to be about \$10,000+ over budget by year end. Telephone, Training (and Related) and Other Operating Supplies were significantly overspent.
- **Sheriff – Detention is 61% expended:** Overtime spending during the first half of the year was more than three times the annual budget, being \$40,863 in charges over six months, relative to an annual budget of \$13,000. The amount spent in the first six months of the year is (already) higher than any previous (full 12 month) year, in the County's history. On Call expenses were 88% expended during the first half of the year. At the current rate of expenditure, these two categories will be over budget by about \$68,700 (Overtime) and \$12,500 (On Call) at year end.

- **Sheriff – Detention (continued):** Inmate Housing (in LaPlata County) is not treated as a cost within the direct control of the Sheriff’s office (unlike overtime and on-call pay). As of June 2018, expenses booked to this category were \$177,257, but this only represents 5 months of inmate housing. The June payment will not be paid until August, and it will bring the total up to about \$210,000 for the first half of 2018, against an annual budget of \$175,000. Expenses are projected to be about \$420,000 by year end, meaning overspending will be about \$245,000.

Other departments on the “watch list” include:

- **Human Resources is 52% expended:** Advertising, Office Supply and Small Tools/Equipment annual budgets were all significantly overspent as of June 2018. Savings in other budget categories might be sufficient (with the right effort) to keep the department as a whole under budget, by year end.
- **County Coroner is 57% expended:** The medical services budget of the Coroner was completely expended during the first half of 2018 and will likely be over-spent by more than \$20,000 at year end. Medical service costs are largely driven by events over which the Coroner has no control, so any compensating savings will have to come out of other parts of the budget. While there will likely be savings in several categories, the department will still need a budget adjustment at year end, to remain whole.

The General Fund report appears on the next page.

Governmental Fund - General

as of June 30, 2018

YTD Percent = 50%

	Original Budget	Amended Budget	YTD Actual	Remaining Budget	% of Budget
Revenues					
Taxes	7,102,957	7,102,957	4,629,669	2,473,288	65%
Licenses and Permits	596,955	596,955	249,134	347,821	42%
Intergovernmental	1,183,235	1,183,235	1,306,630	(123,395)	110%
Charges for Services	1,759,054	1,759,054	934,256	824,798	53%
Interest	100,068	100,068	201,658	(101,590)	202%
Misc	397,950	397,950	53,009	344,941	13%
Total Revenues	11,140,219	11,140,219	7,374,356	3,765,863	66%
Expenditures					
4132 Administration	386,605	386,605	185,025	201,580	48%
4120 Attorney	212,092	212,092	90,540	121,552	43%
4194 Building & Grounds	272,792	272,792	136,428	136,364	50%
4151 County Assessor	645,799	645,799	308,313	337,486	48%
4154 County Clerk & Recorder	509,784	509,784	222,809	286,975	44%
4140 County Clerk- Elections	178,772	178,772	90,405	88,367	51%
4110 County Commissioners	886,195	886,195	310,898	575,297	35%
4174 County Coroner	80,620	80,620	45,727	34,893	57%
5220 County Fair Board	83,040	83,040	1,447	81,593	2%
4179 County Surveyor	17,899	17,899	5,195	12,704	29%
4156 County Treasurer	543,205	543,205	305,385	237,820	56%
4159 County Treasurer - Public Trustee	15,176	15,176	7,309	7,867	48%
4610 CSU Extension	170,909	170,909	75,367	95,542	44%
5226 CSU Extension Checking	20,000	20,000	3,470	16,530	17%
4340 Development Services-Building	191,817	191,817	73,954	117,863	39%
4341 Development Services-Planning	137,172	137,172	65,479	71,693	48%
4131 District Attorney	414,616	414,616	5	414,611	0%
4150 Finance	394,371	394,371	178,283	216,088	45%
4122 Human Resources	139,682	139,682	72,651	67,031	52%
4295 IT/GIS	468,866	468,866	214,113	254,753	46%
5223 Jail Bonding/Commissary	35,000	35,000	28,100	6,900	80%
5221 Livestock Auction	305,000	305,000	115	304,885	0%
4210 Sheriff Administration	366,011	366,011	177,497	188,514	48%
4216 Sheriff Animal Control	111,165	111,165	25,000	86,165	22%
4250 Sheriff Court Security	79,905	79,905	44,680	35,225	56%
4230 Sheriff Detention	1,078,494	1,078,494	660,787	417,707	61%
4291 Sheriff Emergency Management	359,013	359,013	168,254	190,759	47%
4212 Sheriff Investigations	259,837	259,837	160,304	99,533	62%
4213 Sheriff Patrol	852,685	852,685	433,055	419,630	51%
5212 Tourism Fund	170,000	170,000	29,030	140,970	17%
4659 Transportation Administration	79,209	79,209	38,936	40,273	49%
4650 Transportation Mountain Express	129,360	129,360	56,556	72,804	44%
4195 Veterans Services	105,959	105,959	42,144	63,815	40%
4317 Weed & Pest	181,817	181,817	71,938	109,879	40%
0000 Non-Departmental	3,713,338	3,713,338	1,759,263	1,954,075	47%
Total Expenditures	13,638,205	13,638,205	6,088,461	7,549,744	45%
Revenue over (under) Expenditures	(2,497,986)	(2,497,986)	1,285,894		

Road & Bridge Fund:

Revenue Detail

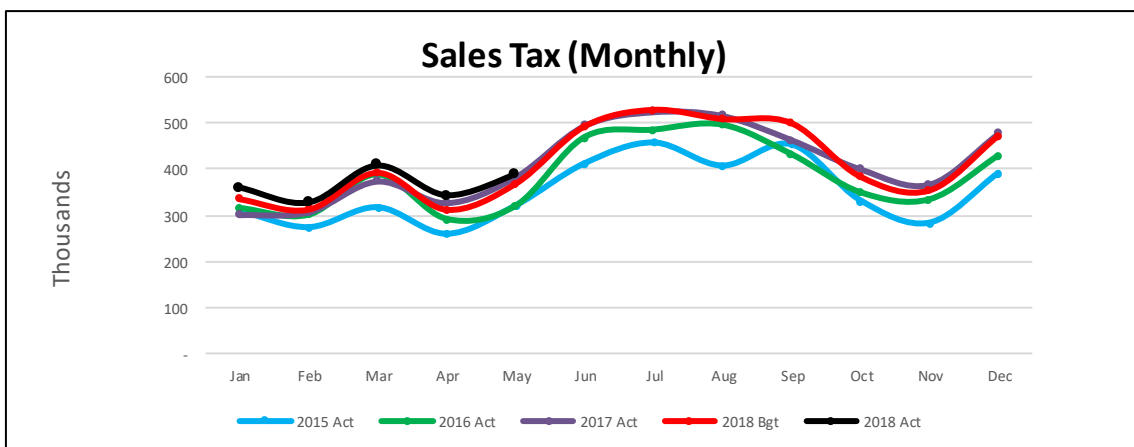
During the first half of 2018, Road & Bridge revenue was at 51% of the current year annual budget. In the detail, individual types of R&B revenue are subject to seasonal variation, just as they are in the General fund. The most material seasonal variations include:

Property Tax:

The Road & Bridge portion of County property tax comes in during the first half of the year, just as it is explained in the General Fund narrative. (It is the same tax, just the Road & Bridge portion thereof). During the first half of the year, 92% was actually received, which is quite normal.

Sales Tax:

Sales Tax revenue is collected in arrears, just as explained in the General Fund narrative. (It is just the Road & Bridge portion of the same tax). During the first half of 2018, only five months of Sales Tax revenue were actually received (and shows on the statement). During that time period, Sales Tax revenue in the General Fund was \$106,181 (6.2%) over the seasonally adjusted 2018 budget. This revenue is expected to finish the year strong.



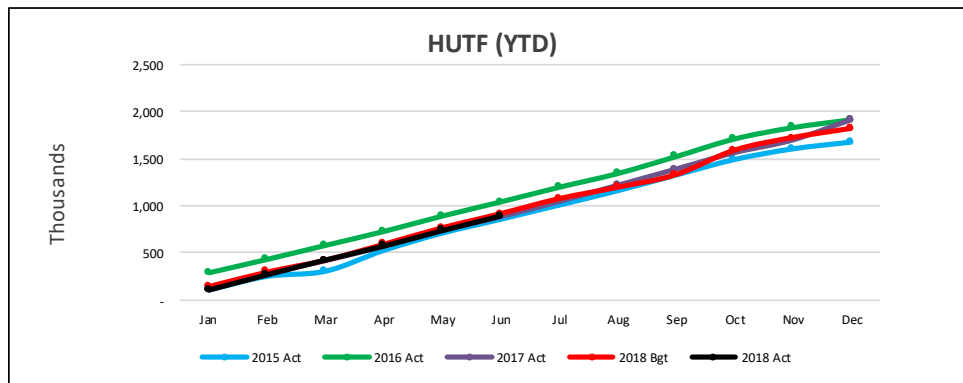
Licenses and Permits Revenue:

This refers to Road Cut & Driveway Permits. During the first half of 2018, about 69% of the annual budget was received. While it is a bit early to project, we think it likely that this source of revenue will exceed budget by as much as 20% (\$5,000) by year end.

Intergovernmental Revenue:

The largest source of Road & Bridge funds within the "Intergovernmental" category is known as HUTF (Highway Users Tax Fund) revenue. As of June 30, 2018, 49% of the annual total budget was received. By year end, this revenue stream is projected to come in at budget, or perhaps 1% low.

See the graph on the next page.



All things considered, Road & Bridge Fund revenue streams are expected to come in over budget during 2018, possibly by 2% or 3% (\$100,000 to \$150,000).

Expense Detail:

During the first half of 2018, 22% of the Road & Bridge Fund expense budget was utilized. Six out of seven departments were under budget, as expected. Note that significant road maintenance and construction occurs during the summer months, and invoices associated with those major projects typically do not come due until well into the third quarter.

The R&B Admin department did incur a disproportionate amount of expense during the first half of the year, being 62% expended. Within this budget, the annual General Liability insurance premium payment was made during the first quarter. The premium paid at that time consumed (and exceeded) the annual budget. (The budget is \$148,300 and the actual billing was \$181,0448). The increase in the premium was driven by factors out of the control of Road & Bridge management. In addition, the annual budget for Treasurer Fees was 92% expended during the first half of the year, which is normal.

Most of the other expense categories were at or under budget by comfortable amounts, and if any end the year over budget, the amounts will not be material. That said, the exception (General Liability insurance) will be over by \$33,000 and it is likely that some of this departments Contingency budget will have to be utilized to cover that. The Road & Bridge report appears on the next page:

Governmental Fund - Road & Bridge
as of June 30, 2018

YTD Percent = 50%

	Original Budget	Amended Budget	YTD Actual	Remaining Budget	% of Budget
Revenues					
Taxes	4,057,832	4,057,832	2,098,399	1,959,433	52%
Licenses and Permits	25,000	25,000	17,310	7,690	69%
Intergovernmental	1,884,398	1,884,398	926,173	958,225	49%
Misc	24,000	24,000	37,853	(13,853)	158%
Total Revenues	5,991,230	5,991,230	3,079,736	2,911,494	51%
Expenditures					
Administration	860,412	860,412	534,038	326,374	62%
Road Maintenance	2,992,118	2,992,118	1,018,651	1,973,467	34%
RCI (General)	501,091	501,091	235,354	265,737	47%
RCI (Paving)	3,351,659	3,351,659	42,671	3,308,988	1%
RCI (Pavement Maintenance)	299,500	299,500	0	299,500	0%
RCI (Bridges)	85,000	85,000	0	85,000	0%
Unallocated	100,000	100,000	10	99,990	0%
Total Expenditures	8,189,780	8,189,780	1,830,723	6,359,057	22%
Revenue over (under) Expenditures	(2,198,550)	(2,198,550)	1,249,013		

Dispatch Fund:

Revenue Detail

During the first half of 2018, 43% of the annual total budgeted Dispatch revenue was received.

Intergovernmental Revenue:

Intergovernmental revenue in this fund is from the Town of Pagosa Springs Police Department, the Upper San Juan Health District and the Pagosa Fire Protection District; which all contribute funding to the Dispatch fund according to an indicator of proportionate use of the service (being the three year average proportion of "calls for service"). Amounts are received in quarterly installments. As of June 30, 2018, only 43% of the budgeted revenue had been received, because the Town of Pagosa Springs had not yet disbursed their second quarter installment, while the other contributors had prepaid the third quarter.

Charges for Services:

Charges for Services in this fund are "911 Surcharges", collected from telephone service providers. As of June 30, 2018 about 33% of these charges had been collected. While 33% looks low, there is a normal time lag in collections, and we currently don't have reason to think that this income will be low at year end.

Expense Detail

During the first half of 2018, about 50% of the annual Dispatch expense budget was utilized. Capital Outlay costs in the fund appear to be trending over budget (at 77%), but most of the annual costs in this category were expended by mid-year. It is not yet clear if this department can be kept in budget for the entire year. Wages and Benefits are trending over budget. Turnover in the Emergency Communications Manager position, means there will be some wage savings (while the position is vacant), but Overtime costs (of those filling the void) will wash much of that savings. Much will depend on the wage level offered to the person filling the position, and whether or not they will need to consume the training budget, in order to be fully qualified. It should be noted that if this department (and therefore, this fund) incurs expenditures that exceed the budget appropriations, that will be a violation of state statutes.

Governmental Fund - Archuleta County Combined Dispatch

YTD Percent =	50%
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as of June 30, 2018

	Original Budget	Amended Budget	YTD Actual	Remaining Budget	% of Budget
Revenues					
Intergovernmental	323,177	323,177	138,023	185,154	⚠ 43%
Charges for Services	230,058	230,058	75,273	154,785	⚠ 33%
Misc	-	-	2,171	(2,171)	N/A
Transfers In	350,110	350,110	175,055	175,055	⚠ 50%
Total Revenues	903,345	903,345	390,522	512,823	⚠ 43%
Expenditures					
Combined Dispatch					
Personnel Costs	619,051	619,051	318,838	300,213	⚠ 52%
Materials & Services	172,386	172,386	67,160	105,226	✅ 39%
Capital Outlay	25,300	25,300	19,518	5,782	⚠ 77%
Debt Service	57,665	57,665	28,832	28,833	✅ 50%
Total Expenditures	874,402	874,402	434,348	440,054	✅ 50%
Revenue over (under) Expenditures	28,943	28,943	(43,827)		

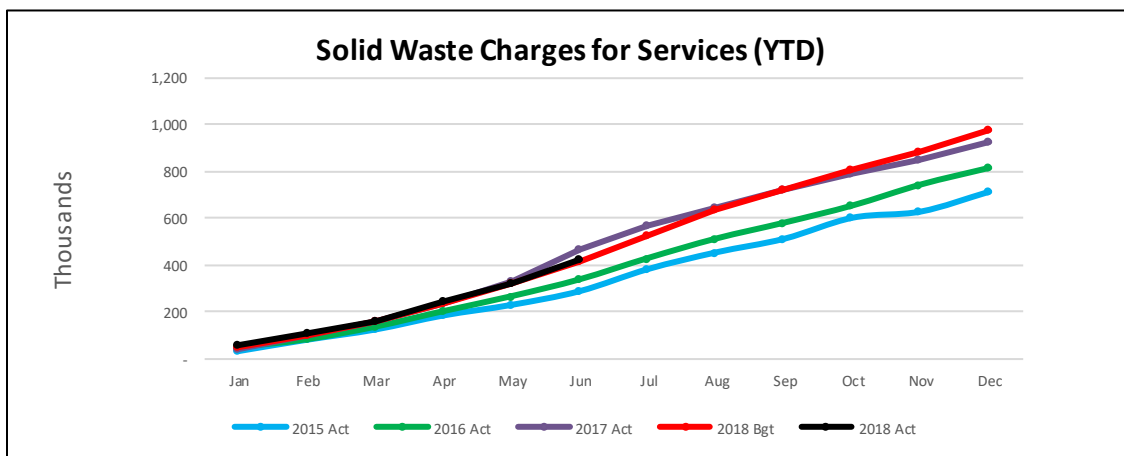
Solid Waste Fund:

Revenue Detail

During the first half of the year, 44% of the annual budgeted Solid Waste revenue was received. While this seems quite low, it is not far from what we would expect, given the (predictable) seasonal variations within the largest revenue stream within this fund.

Charges for Services:

Most Solid Waste fund revenue is Charges for Services, being fees collected when waste is deposited at the landfill. While the landfill receives significant amounts of material year round, the amounts being deposited do vary with the seasons and in a predictable way. The year to date amount actually received was \$3,225 (less than 1%) higher than the seasonally adjusted budget for this time period. The graph below shows this revenue through June. We are currently projecting this revenue to come in almost exactly as budgeted.



Misc. Revenue:

Misc. Revenue refers to cash received by the County in exchange for recyclable materials (cardboard, plastic and metal) collected by the County at the Pagosa Transfer Station. Such material is sold only when large quantities have been accumulated, which is done on an irregular basis. During the first half of the year, sales of recyclable material (at \$2,647) was about 24% of the annual budget. This revenue is expected to end the year under budget, by \$5,000 or \$6,000 dollars.

Expense Detail:

During the first half of the year, 15% of the Solid Waste Fund expense budget was utilized. Four of the five individual departments were *under* budget during the first half of the year. One department was significantly over budget and one under budget, as follows:

The Recycling budget was 70% expended, due to an unbudgeted expense. However, it will likely end the year under budget, by deferring other budgeted costs. Note also, that the total budget for this department is a trivial \$1,581.

The Landfill department was only 11% expended at mid-year. Most of this budget is for the construction of a new cell at the landfill and that project is only just now (August) about to start. As it stands, that project is expected to come in under budget.

The Solid Waste Fund report appears on the next page.

Enterprise Fund - Solid Waste

YTD Percent = 50%

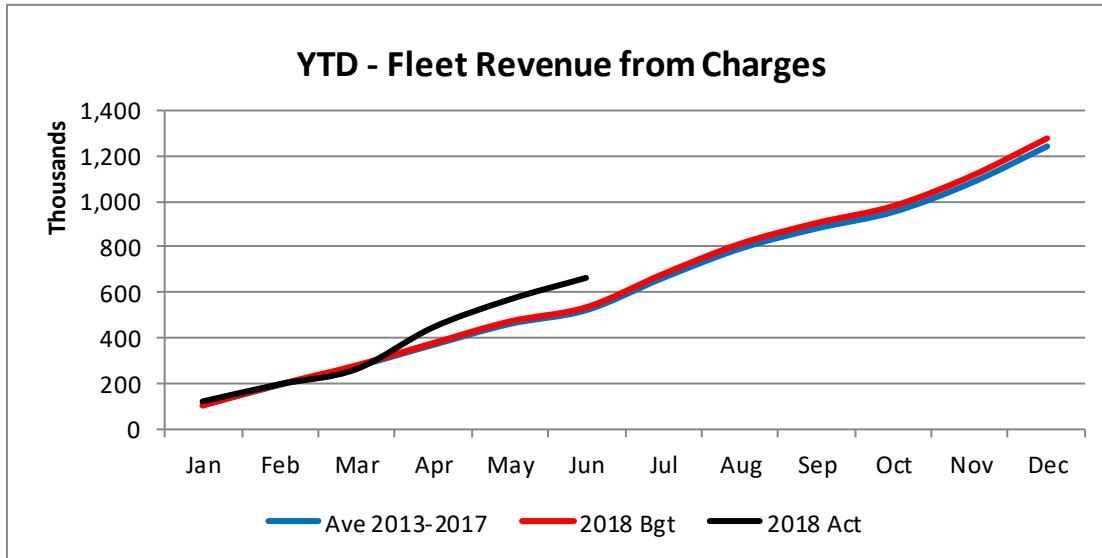
as of June 30, 2018

	Original Budget	Amended Budget	YTD Actual	Remaining Budget	% of Budget
Revenues					
Charges for Services	988,770	988,770	399,755	589,015	⚠ 40%
Misc	11,000	11,000	2,647	8,353	⚠ 24%
Transfers In	500,000	500,000	250,000	250,000	✅ 50%
Total Revenues	1,499,770	1,499,770	652,402	847,368	44%
Expenditures					
Administration	72,262	72,262	34,297	37,965	✅ 47%
Arboles Transfer Station	16,360	16,360	6,471	9,889	✅ 40%
Landfill	1,796,014	1,796,014	193,072	1,602,942	✅ 11%
Pagosa Transfer Station	149,659	149,659	70,076	79,583	✅ 47%
Recycling	1,581	1,581	1,106	476	⚠ 70%
Total Expenditures	2,035,876	2,035,876	305,032	1,730,844	15%
Revenue over (under) Expenditures	(536,106)	(536,106)	347,370		

Fleet Fund:

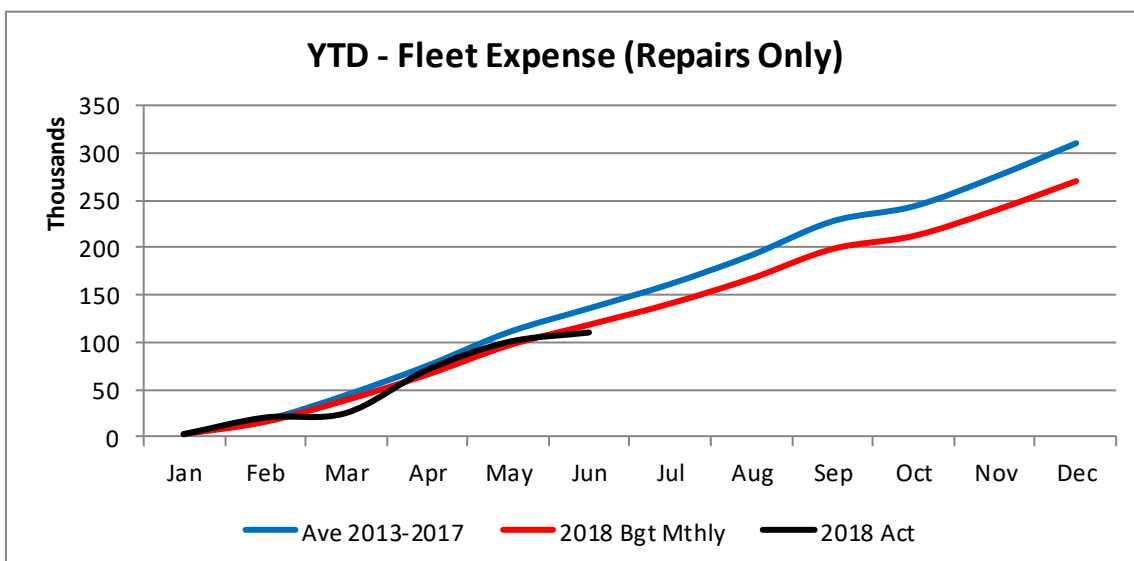
Revenue Detail

Fleet revenue comes from charges to County departments for fuel and services. From month to month, they are highly variable, depending upon the need for major repairs on heavy equipment. That said, during the first half of 2018, Fleet revenue was about 51% of the 2018 budgeted amount, but about 24% above the seasonally adjusted year to date budget. See the graph below.



Expense Detail

Overall, Fleet expense were only 30% expended during the first half of 2018. In particular, the Capital Outlay budget was only 5% expended. However, if we factor in capital items currently on order, but not yet delivered and paid for, about 84% of the Capital Outlay budget was consumed at mid-year. We do not expect Fleet expenses to exceed budget at year end. One expense account in the Fleet Fund is used as a proxy for overall fleet repair costs. Over time, improvement in the preventative maintenance of the fleet, as well as replacements of unreliable equipment, should be bringing down costs. Therefore, 2018 was budgeted at 87% of the average of previous years. So far, actual expenses were about 93% of that seasonally adjusted budget. See the graph below:



Internal Services Fund - Fleet

YTD Percent =	50%
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as of June 30, 2018

	Original Budget	Amended Budget	YTD Actual	Remaining Budget	% of Budget
Revenues					
Charges for Services	1,273,858	1,273,858	649,528	624,330	✓ 51%
Misc	-	-	12,384	(12,384)	N/A
Transfers In	300,000	300,000	150,000	150,000	✓ 50%
Total Revenues	1,573,858	1,573,858	811,912	761,946	✓ 52%
Expenditures					
Fleet Services					
Personnel Costs	307,608	307,608	149,004	158,604	✓ 48%
Materials & Services	890,448	890,448	358,331	532,117	✓ 40%
Capital Outlay	625,000	625,000	30,731	594,269	✓ 5%
Total Expenditures	1,823,056	1,823,056	538,067	1,284,989	✓ 30%
Revenue over (under) Expenditures	(249,198)	(249,198)	273,845	(523,043)	

Finance Department Performance Measures

This section shows progress on various Performance Measures being used within the Finance Department, in a “table” format. Some categories are only relevant during one quarter of the year.

<u>Activity</u>	<u>Q1</u>	<u>Q2</u>	<u>Q3</u>	<u>Q4</u>
Audit (Good Opinion)	N/A	N/A	_____	_____
Budget	N/A	N/A	_____	_____
Expenditures/Fund (Within Budget)	100%	100%	_____	_____
<i>Core Processes on Schedule:</i>				
Audit Prep	90%	95%	_____	_____
Accounts Payable	100%	100%	_____	_____
Budget	N/A	N/A	_____	_____
Human Services Accounting	83%	90%	_____	_____
Payroll	100%	100%	_____	_____
Quarterly Reporting	100%	100%	_____	_____
Year End Close Process	90%	100%	N/A	N/A

Highlights from the second quarter (and part of the third quarter) include:

- Accounts Payable and County Payroll were processed accurately and on time.
- Year End Close work was completed and the auditors arrived and conducted their annual field work during the month of June.
- The department assisted the County Attorney and County Administrator by providing significant amounts of information needed to pursue a settlement with Hart Construction over the Courthouse Roof case.
- The Finance department assisted other County departments in bidding out large projects, such as Cell 4A at the County Landfill and Piedra Road reconstruction.
- Expenses were monitored closely and various analysis were performed, seeking ways to cope with various budget challenges.

Larry Walton (Finance Director)